

DRAFT

April 17, 2006

E-3996

TO: PARTIES TO ADVICE LETTERS SDG&E 1776-E, SCE 1971-E AND PG&E 2792-E

Enclosed is draft Resolution E-3996 of the Energy Division. It will be on the agenda at the May 25 Commission meeting. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Jerry Royer
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

A copy of the comments should be submitted to:

Werner Blumer
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-2200
Email: wmb@cpuc.ca.gov

Draft Resolution E-3996
SDG&E 1776-E, SCE 1971-E, PG&E 2792-E

April 17, 2006

Any comments on the draft Resolution must be received by the Energy Division by May 8, 2006. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division, on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the proposed draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Replies to comments on the draft resolution may be filed (i.e., received by the Energy Division) on May 15, 2006, 7 days after comments are filed, and shall be limited to identifying misrepresentations of law or fact in the comments of other parties. Replies shall not exceed five pages in length, and shall be filed and served as set forth above for comments.

Late submitted comments or replies will not be considered.

Ken Lewis
Program Manager
Energy Division

Enclosure: Service List

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution E-3996 on all parties in these filings or their attorneys as shown on the attached list.

Dated April 17, 2006 at San Francisco, California.

Jerry Royer

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Service List for E-3996 (R-04-03-017)

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
RESOLUTION E-3996
5/25/06

R E S O L U T I O N

Resolution E-3996. Pacific Gas & Electric (PG&E), Southern California Edison (SCE), San Diego Gas & Electric (SDG&E).

By Advice Letters PG&E 2792-E, SCE 1971-E & SDG&E 1776-E filed on February 24, 27 & 27, 2006, respectively.

SUMMARY

This Resolution approves revisions to Rule 21 proposed by the ALs filed subject to clarifying who is the beneficiary of “cost effectiveness”, and applying the Net Generator Output Metering (NGOM) requirements to all generators, subsidized and non-subsidized, pursuant to Decision (D.) 05-08-013 (Decision).

BACKGROUND

The Decision ordered PG&E, SCE and SDG&E to file Advice Letters (AL) to revise the following Sections of Electric Rule 21, in order to incorporate issues discussed in the Rule 21 Working Group and recommended in a California Energy Commission Report, CEC-100-2005-003-CTF (CEC Report):

Section C.1: A cost based charge for additional commissioning test verifications by the utility to defray the cost for customer-caused repeats, not included in the initial interconnection review fee, is added to the “Summary of Fees and Exemptions” Table.

Section E.2: The “Cost Responsibility for Interconnecting a Generating Facility “(GF) is amended per Section C.1 above.

Section F: The requirements for “Metering, Monitoring and Telemetry” are clarified to spell out under what circumstances Net Generation Output Metering (NGOM) is required, and the sunset provision for filing permanent metering requirements is removed.

Section G: The “Dispute Resolution Process” is modified to include a procedure for 1) parties to request a mediator from the Commission or a third party mediator by mutual agreement; 2) the utility to provide the aggrieved party all relevant regulatory and/or technical details regarding the interconnection requirements in dispute; 3) the CEC to maintain a website to publicly disclose resolutions of the dispute.

Sections F.3 and H: In the “Definitions” section the term “Net Generation Metering” is changed to “Net Generation Output Metering” (NGOM).

NOTICE

Notice of AL 2792 -E, AL 1971 and AL 1776-E was made by publication in the Commission’s Daily Calendar. PG&E, SCE and SDG&E state that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letters AL 2792-E, AL 1971-E and 1776-E were not protested, however the Energy Division disputes that they are in complete compliance with the Decision.

DISCUSSION

These ALs incorporate Rule 21 revisions recommended by the CEC Report, as adopted by the Decision. The CEC Report is based on discussions and partial consensus reached in the Rule 21 Working group, comprising representatives from the utilities, manufacturers, mostly industrial customers, and regulators. This group was formed under Rulemaking R.99-010-025 to work out details on technical and procedural aspects of Interconnections of Generating Facilities to the utility distribution system.

No protests were filed and the ALs incorporate most issues within the latitude of the Decision. However there are inconsistencies in the proposed Rule 21 revisions with the Decision, in terminology and with General Order (G.O.) 96, as follows.

Section C.1, Table C.1: The Decision, Ordering Paragraph (OP) 2, sixth bullet states that Rule 21 shall be modified to specify *"A cost-based charge for DG project interconnection inspections for those inspections that are extraordinary and/or follow the first inspection"*. This order is in response to the utilities' complaints that unprepared customers require repeated Commissioning Test verification visits for their Generating Facilities. The cost for the first visit is included in the initial interconnection review fee.

While the range of \$100 to \$150/Person-hour seems reasonable, the table should not term this *"(illustrative range of 2005 Rates)"*. This is a cost-based charge range for different personnel grades and therefore firm, subject to a General Rate Case (GRC), as stated in the Decision and required per G.O. 96. The table footnote *"A range of rates is provided here because the actual rate may vary by utility and will adjust periodically"* is inappropriate, because each Rule 21 is utility specific. Furthermore, the table should also say *"plus additional costs"*, to reflect wording in proposed Section E.1.

SDG&E's table incorrectly says *"Meeting"* instead of *"Metering"* or *"Metered"* and *"\$100 to \$150/hour"* instead of *"\$ 100 to \$150/Person-hour"*.

Section F.3: The ALs propose to distinguish between *"customers receiving regulated subsidies (e.g. publicly funded incentive payments or specific tariff exemptions)"* and *"customers that do not receive regulated subsidies"* with regards to the requirements for Net Generator Output Metering (NGOM) *"to determine applicable standby and non-bypassable charges as defined in the utility's tariffs, to satisfy applicable California Independent System Operator (CAISO) reliability requirements, and for Distribution System planning and operations"* and *"where less intrusive and/or more cost effective options are available for generator data"*, respectively. The utilities refer to Decision OP 2, first bullet, which states that *"DG facilities that do not receive regulated subsidies do not need to install NGOM where less intrusive and/or more cost effective options for providing output data are available, consistent with existing Rule 21."*

The utilities interpret the negative requirement of NGOM for “non-subsidized” generators as a positive requirement of NGOM for “subsidized” generators. However they disregard that most “subsidized” generators do not pay standby, cost-responsibility surcharge (CRS) and non-bypassable charges anyway and therefore would not need NGOM.

The Summary of the Decision states: *“We retain existing rules and tariffs which address the circumstances under which DGs receiving publicly-funded incentives or tariff exemptions must install NGOM equipment”*.

These rules are in the existing Rule 21, Section F.3, which does not distinguish between “subsidized” and “non-subsidized” generators for allowing alternate means of determining applicable tariff charges to installation of NGOM.

The Decision only mentioned “non-subsidized” generators because their requirements for NGOM were ordered therein, while the “subsidized” generators’ NGOM requirements remain as in existing Rule 21, Section F.3.

Rule 21 only specifies NGOM for tariff administration, CAISO and operational requirements. The incentive-specific NGOM requirements for “subsidized” generators are spelled out in program handbooks for verification of eligibility and monitoring and need not be included in Rule 21.

Decision OP 2 repeats the existing Rule 21, Section F.3 term “cost-effective” without reference to the beneficiary. However Section F.7, Cost of Metering, clearly assigns the cost of all Metering required in Rule 21 to the Producer (Customer).

It is therefore reasonable to clarify Section F.3 by replacing “more cost-effective” with “less costly for the Producer”.

COMMENTS

Public Utilities Code section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments.

FINDINGS

1. The Decision ordered the utilities to propose cost based charges for repeat Commissioning Test Verification visits, not covered in the Initial Review Fee.
2. The utilities propose a person-hour charge for Commissioning Test verification visits, as illustration only, and subject to adjustment.
3. Fees and charges are subject to an Application (GRC) per Decision and G.O. 96.
4. Current Rule 21, Section F applies to all Generating Facilities, subsidized and non-subsidized.
5. The Decision reaffirmed that Section F provisions are retained with regards to circumstances when subsidized GFs require NGOM.
6. NGOM for monitoring and verification of program eligibility is specified in the handbooks of the specific subsidy program.
7. Rule 21 only specifies NGOM requirements for tariff administration, CAISO and distribution system operation.
8. "Cost effective" without beneficiary is meaningless.
9. Rule 21, Section F.7 requires the Producer of energy to pay for any NGOM.

THEREFORE IT IS ORDERED THAT:

1. The person-hour charge range for extraordinary visits shall be shown as applicable to the specific utility, not illustrative and subject to adjustment. Table C.1 and its footnote shall be revised accordingly and the costs (for travel, etc) also mentioned in the table.
2. The distinction between subsidized and non-subsidized GFs with regards to NGOM and its allowed alternates to obtaining generator data for tariff administration, CAISO reliability requirements and distribution system operation shall be deleted in Section F.3.
3. The criteria of "cost effectiveness" when NGOM may be substituted by other means of obtaining generator output data shall be clarified by specifying the beneficiary, "Producer", in Section F.3.
4. SDG&E shall correct "Meeting" to "Metering" or "Metered" in Table C.3.
5. SDG&E, SCE and PG&E shall incorporate above orders in Rule 21 and resubmit within 30 days.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 25, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director